



FINANCIAL ACCOUNTING FOUNDATION

STRATEGIC PLAN



Message from the Chair and Executive Director

We are pleased to share with you the new strategic plan for the Financial Accounting Foundation. As the respective leaders of the Foundation’s Board of Trustees and staff, we have the honor to serve as stewards of—and advocates for—the independent process by which financial accounting and reporting standards are set in the United States. This independent process is what makes U.S. financial accounting and reporting standards a model for the world, provides investors and others with information critical to their analyses and decisions, and underlies the functioning of liquid and efficient capital markets.

This plan differs from our previous strategic plan in that it seeks to reflect the activities and responsibilities of the Foundation’s Board of Trustees and staff (collectively, the “FAF”) and not those of the Financial Accounting Standards Board (FASB) and the Governmental Accounting Standards Board (GASB) (collectively, “the Boards”) and their staffs. Although the FAF and the Boards constitute a single organization and share complementary missions, our governing documents accord us different roles in our collective commitment to serving investors and other users of financial reports in the public interest.



Broadly, the FAF is charged with governance of the Foundation and oversight of the Boards’ standard-setting activities (including appointment of the members of the Boards and their advisory councils), as well as providing administrative services to the Boards. The Boards and their staffs are responsible for establishing and improving financial accounting and reporting standards in their respective domains, including setting the technical and research agendas that drive those standard-setting activities. It is important to note that, under the FAF’s bylaws, in carrying out its governance and oversight responsibilities the FAF takes care not to impair the independence and objectivity of the Boards in making their standard-setting decisions.

The FAF and the Boards maintain alignment through our shared commitment to serve the needs of investors and other users, our constant dialogue, and the FAF’s oversight activities. The Boards engage in their standard-setting activities and agendas in a manner that aligns with our organization-wide strategic goals, including extensive stakeholder outreach.

Accordingly, the strategic plan that follows addresses goals that pertain to the role of the FAF:

- To preserve and protect the independent standard-setting process and advocate and communicate its benefits to stakeholders and our capital markets
- To design and implement good governance practices for the organization, including the Boards
- To appoint the members of the FASB and the GASB, including their chairs, the Boards' respective advisory councils, the FAF executive director, and the FAF Board of Trustees
- To oversee the standard-setting process followed by each Board to ensure each follows its respective due process procedures and continually identifies potential improvements
- To ensure the FASB and the GASB have the funding and resources needed to fulfill their respective portions of our complementary missions.

Through their leaders, the Boards have engaged with the development of this strategic plan and support its goals, objectives, and the FAF's mission and vision statements set forth herein.

In creating this plan, we reached out to investors and other users of financial reports, as well as other stakeholders. We are grateful to the hundreds of individuals who provided feedback to us through an online survey, the leaders of dozens of diverse stakeholder groups who participated in one-on-one or small group interviews to further inform our thinking, and the 22 stakeholders and organizations who sent us comment letters on the public draft of the plan. This engagement proved essential to our work.

Accountability and independence go hand in hand. In the spirit of accountability, we will update our stakeholders annually on the progress we make on the goals outlined in this plan. Expect these progress reports to be included in our annual report, which we publish in May each year.

We know that independence is a privilege we must earn every day. We appreciate your engagement with us and your steadfast support for the independent standard-setting process that has been the bedrock of our accounting and financial reporting system for fifty years. Thank you.



Edward C. Bernard, Chair,
FAF Board of Trustees



John W. Auchincloss,
Executive Director, FAF

OUR MISSION

Our mission is, through governance and oversight, to ensure that the Financial Accounting Standards Board (FASB) and the Governmental Accounting Standards Board (GASB) establish and improve high-quality financial accounting and reporting standards that provide information useful in decision making to investors and other users of financial reports, and improving all stakeholders' understanding of those standards and preparers' ability to implement them effectively.¹

OUR VISION

The vision of the Financial Accounting Foundation is that the organization, including the Boards, will be recognized and trusted as the leader in financial accounting and reporting standard setting in the United States and as a prominent leader and collaborator globally.

OUR VALUES

Independence with Accountability

We recognize that we must continue to earn our independence every day. We earn it by ensuring that we and the Boards hold ourselves accountable by seeking input from investors, other users of financial reports, and other stakeholders through a robust, inclusive process. We listen with an open mind to all parties, and, through oversight, ensure the Boards commit to amend, improve upon, or revisit previous decisions as new information and perspectives emerge.

Excellence

We strive to promote excellence in every aspect of our governance and oversight of standard setting, including appointing and overseeing highly talented members of the Boards and advisory councils; oversight of the establishment of other advisory bodies; oversight of and support for the hiring and retention of the Boards' skilled standard-setting staffs; and oversight of a rigorous due process that results in high-quality financial accounting and reporting standards supported by clear, widely available educational materials.

Transparency

Transparency in standard setting is foundational to stakeholder trust. To that end, the FAF reports on its governance and oversight activities in public sessions of the meetings of our Board of Trustees. The Boards conduct all their official business in public session and ensure that standard-setting decisions are reached only after completion of a rigorous due process, which allows for public input into and review of every phase of standard setting.

¹For FASB, these other users include investors, lenders, analysts, and other allocators of capital. For GASB, they include the citizenry and legislative and oversight bodies in addition to lenders, analysts, and other allocators of capital.

Integrity

We strive to appoint individuals of the highest integrity in our organization, and we closely monitor their work to ensure that all decisions are made free of conflicts of interest and are centered on our mission.

Inclusiveness

We and the Boards strive to be as inclusive as possible in all our activities. This goes beyond our commitment to attract and retain broadly diverse talent and provide a supportive, inclusive workplace. It also drives our passion for stakeholder engagement and ensures that everyone has the opportunity to participate in the standard-setting process. General acceptance of financial accounting and reporting standards is a function of inclusiveness; we know that wider engagement throughout the standard-setting process is essential to better outcomes.



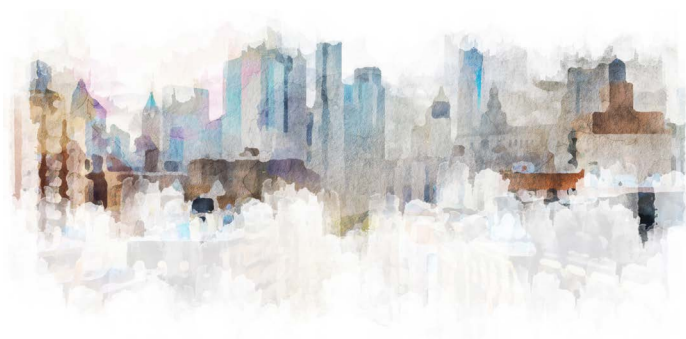
Goal #1

In service to the public interest, promote the importance of independent standard setting to capital markets

For decades, the FASB and the GASB have been entrusted to set U.S. financial accounting and reporting standards. The Boards follow an independent, transparent, extensive, and inclusive due process and time-tested methods to collect and assess input from diverse stakeholders. This process benefits investors and other users of financial reports, capital markets, and other stakeholders. We will advocate for the importance of independent standard setting to the efficient functioning of our capital markets.

Objectives

- Engage regularly with regulators and policymakers in Washington, DC, and in state capitals and local communities around the country to enhance their understanding of the benefits of independent standard setting for investors, other users of financial reports, and efficient functioning of our capital markets.
- Collaborate with and enlist stakeholder groups to promote greater understanding of the value of independent standard setting.
- Facilitate regular updates by the members of the Boards and their staffs about current and pending FASB and GASB projects to policymakers at the federal, state, and local levels so these audiences can better appreciate the importance of independent standard setting and how our independent process works in practice.
- Continually review and assess our governance and oversight practices to ensure they align with our mission and vision, reflect best practices, and maintain the confidence of stakeholders in our role to oversee the independent standard-setting process.
- Collaborate as appropriate with international standard-setting bodies to mutually reinforce communications around the crucial role that independent standard setting plays in serving investors and other users of financial reports, capital markets, and other stakeholders.



Goal #2

Ensure financial accounting and reporting standards advance as needed

Information in financial statements is based on Generally Accepted Accounting Principles (GAAP) and is vital to investors and others in deciding how to allocate their resources. However, these users have a multitude of information needs and a rapidly growing number of ways to capture and analyze data not necessarily included in financial reports. Moreover, economic shifts and changing business models affect the ways in which investors and others perceive the usefulness of GAAP-based information. As the Boards create and advance standards to meet the needs of users of financial reports, we will ensure they maintain and follow a robust due process to keep GAAP current and the information in financial reports decision useful and have the resources they need to act in a timely way, consistent with this process.



Objectives

- Maintain an ongoing dialogue with the Boards about their methods to advance financial accounting and reporting standards as needed to keep the information in financial reports decision useful, especially as information sources proliferate and the information needs of investors and other users evolve. This dialogue will include how the Boards evaluate the timeliness of standard setting in light of the need for an inclusive and rigorous due process and the desire to develop substantive improvements to GAAP-based information.
- Support the Boards' efforts to solicit input on the continuing decision usefulness of GAAP-based information to investors and other users of financial reports.
- Maintain an ongoing dialogue with the Boards about their process to analyze the costs and benefits of changes to financial accounting and reporting standards.
- Ensure the Boards have the resources needed to evaluate how stakeholders use emerging technologies to capture and analyze information, as this can affect the costs of both preparing and analyzing the contents of financial reports.
- Through oversight, monitor the Boards' efforts to use clear language in financial accounting and reporting standards and accompanying educational materials to aid stakeholders' ability to understand new and updated standards and the information they produce.

Goal #3

Incorporate new and further embrace existing technologies to make the standard-setting process more effective and productive, from initial stakeholder input through the delivery and consumption of standards

It is essential that we and the Boards embrace and keep pace with existing and changing technologies as they reshape the environment in which standard setting occurs. Stakeholders want easy access to financial accounting and reporting standards and educational materials about those standards. They also want fast, simple ways to participate in the standard-setting process. Facilitating stakeholders' ability to provide input to the Boards will increase that input and enhance the "general acceptance" of financial accounting and reporting standards and support the relevance of GAAP-based information over the long term. New technologies likewise can improve the Boards' internal processes, which will make standard setting more effective and productive. We will invest in technology as needed to fulfill our mission.

Objectives

- Oversee and support the Boards as they evaluate how to use technology throughout the standard-setting process to make it easier to solicit and receive stakeholder input and to aid stakeholders in understanding newly issued and developing standards.
- Regularly incorporate a discussion of technology into meetings with the Board chairs. This discussion should include longer-term technology trends and identification of the resources we need to provide to enable the Boards to leverage these trends.
- Develop and sustain a long-term technology investment strategy to ensure the standard-setting process remains inclusive, effective, and productive.



Goal #4

Build on our commitment to greater diversity and inclusion

We believe strongly in the benefits of a diverse and inclusive workplace and approach to our mission. We recognize and appreciate the value that differing perspectives bring to the quality of our work and the financial accounting and reporting standards the Boards produce. We see diversity as a wide range of backgrounds, experiences, and voices that strengthen both our organization and our ability to engage broadly with our stakeholders. We are fully committed to a more diverse and inclusive culture within our organization, and in outreach to and engagement with stakeholders, and will develop plans to achieve measurable progress.

Objectives

- Expand our recruiting efforts to identify talent that will make our entire organization more diverse and ensure that all candidate slates for every position include individuals who will make our organization more diverse.
- Ensure, through proper oversight, that the Boards' stakeholder outreach is broad and inclusive.
- Develop employee training programs to build a more inclusive culture across our entire organization.
- Increase relationships with educators, educational institutions, and organizations—such as Historically Black Colleges and Universities—that actively encourage minority students to pursue careers in accounting.



Goal #5

Exhibit leadership in global financial reporting

The Boards set financial accounting and reporting standards for the United States, which is home to the largest and deepest capital markets in the world. Many public companies domiciled outside the United States are listed on U.S. exchanges, and investors and lenders globally have a direct stake in U.S. equities and fixed-income products, including those issued by state and local governments and private companies. We and the Boards actively serve as leaders and collaborators on issues and trends affecting financial accounting and reporting standard setting globally. In addition, we will ensure the Boards have processes to identify and consider international developments.

Objectives

- Expand our dialogue with the Trustees of the International Financial Reporting Standards Foundation (IFRSF), including establishing regular Trustee-to-Trustee level meetings on topics of mutual interest.
- Hold a regular discussion with the Board chairs about international accounting and reporting issues and the specific ways in which the Boards exercise global influence and leadership.
- Ensure, through proper oversight, that the Boards are attentive to opportunities for international convergence of financial accounting and reporting standards.
- Endeavor to maintain on the FAF Board of Trustees at least one member who has extensive experience in, or oversight of, global standard setting.



Goal #6

Engage with stakeholders, regulators, and Congress to determine the appropriate way, if any, for the organization to contribute to future sustainability reporting.

We remain focused on overseeing the Boards in establishing and improving high-quality financial accounting and reporting standards. However, we recognize there is growing demand by investors and other users of financial reports for greater consistency and comparability in reporting related to sustainability. Recent developments—including the establishment of the International Sustainability Standards Board (ISSB) by the IFRSF and the U.S. Securities and Exchange Commission’s proposed rulemaking for climate disclosures by public companies—are shaping the future sustainability reporting landscape. Given our commitment to the quality and integrity of financial accounting and reporting standard setting globally, we will actively monitor and engage with stakeholders, regulators, and Congress to ensure our organization can constructively contribute, as appropriate, to any future standard setting relating to sustainability reporting.



Objectives

- Continue, with the Boards, to assess the landscape around sustainability reporting and solicit the views of and engage with our stakeholders, the U.S. Securities and Exchange Commission (SEC), Congress; and, as appropriate, other federal, state, and local governmental organizations, to understand their perspectives and what capabilities or expertise, if any, we and our Boards might contribute to potential future sustainability reporting frameworks in the United States.
- Maintain an active dialogue with the Boards about what they are learning from stakeholders about evolving sustainability reporting, including any interconnectivity with financial accounting and reporting.
- Ensure, through proper oversight, that the Boards remain informed about the evolving interplay between GAAP and the sustainability information needs of investors and other users of financial reports and provide the Boards the resources necessary to do so.
- With the Boards, closely monitor and engage, as appropriate, with the work of the IFRSF, the SEC, and others involved in sustainability reporting.

HOW WE DEVELOPED OUR PLAN

The FAF Trustees launched this strategic planning effort in August 2020 when we established a Strategic Planning Task Force (the “Task Force”) comprising six FAF trustees, the chairs and vice chairs of the FASB and GASB, and the FAF executive director. The Task Force commissioned an independent consulting firm to solicit and analyze stakeholder input during the fall of 2020.

This outreach proceeded along two simultaneous tracks. First, we conducted an online survey that captured approximately 450 complete responses from individuals representing all our stakeholder groups. Second, we conducted more than 50 hour-long individual and small-group interviews with leaders from diverse stakeholder groups, the largest portion of whom (one-third) represented investors and other users of financial reports.

The Task Force weighed this input carefully through a series of meetings and provided an interim report to the FAF Board of Trustees at our meeting in November 2020. Combining the stakeholder and FAF Trustee input, the Task Force reviewed and slightly revised the organization’s Mission and Vision statements and generated a list of more than two dozen potential strategic opportunities. The Task Force subsequently prioritized this list to the six strategic goals included in this plan.

The FAF Board of Trustees reviewed the draft plan at our meeting in February 2021 and provided additional input to the Task Force. Following the SEC’s call for public input into potential future sustainability disclosures, the FAF Board of Trustees extended further development of this plan as it gained additional information. The report was further revised and released for public comment from May 24, 2022, through July 22, 2022.

Twenty-two organizations and one individual submitted comment letters for Trustee review. The comments, while broadly supportive of the strategic plan as drafted, included numerous suggestions for how to improve upon it. The final plan incorporates the major themes of stakeholders’ suggestions for improvement, which included:

- Strengthening the articulation of FAF’s commitment to the independent standard-setting process
- More clearly articulating the unique roles of the FAF Trustees versus members of the FASB and GASB
- Ensuring, through process oversight, that the Boards consider broad and diverse stakeholder perspectives.

The Task Force updated the plan in response to these comments and presented its final draft of the Strategic Plan to the FAF Board of Trustees at our meeting in August 2022. Following further refinements after this meeting, the Board of Trustees adopted and published the final plan in November 2022.

ABOUT THE FINANCIAL ACCOUNTING FOUNDATION

Established in 1972, the Financial Accounting Foundation (FAF) is an independent, private-sector, not-for-profit organization based in Norwalk, Connecticut. Its Board of Trustees is responsible for the oversight, administration, financing, and appointment of the Financial Accounting Standards Board (FASB) and the Governmental Accounting Standards Board (GASB).

The FASB and GASB (collectively, “the Boards”) establish and improve financial accounting and reporting standards—known as Generally Accepted Accounting Principles, or GAAP—for public and private companies, not-for-profit organizations, and state and local governments in the United States. Both Boards set high-quality standards through a process that is robust, comprehensive, and inclusive. The FASB is responsible for standards for public and private companies and not-for-profit organizations, whereas the GASB is responsible for standards for state and local governments.

The Foundation’s Board of Trustees comprises 14–18 members from varied backgrounds—users, preparers, and auditors of financial reports; state and local government officials; academics; and regulators. The Trustees direct the effective, efficient, and appropriate stewardship of the FASB and GASB in carrying out their complementary missions, select and appoint FASB and GASB members and their advisory councils, oversee the Boards’ activities and due process, and promote and protect the independence of the Boards.

